

GILEAD SCIENCES INC
Form 8-K
January 04, 2002

[QuickLinks](#) -- Click here to rapidly navigate through this document

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

DATE OF REPORT: December 21, 2001

(Date of earliest event reported)

GILEAD SCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

0-19731

(Commission File Number)

94-3047598

(I.R.S. Employer
Identification No.)

333 LAKESIDE DRIVE, FOSTER CITY, CALIFORNIA

(Address of principal executive offices)

94404

(Zip Code)

(650) 574-3000

(Registrant's telephone number, including area code)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 21, 2001, Gilead Sciences, Inc ("Gilead", the "Company" or "we") completed the sale of its oncology assets, pipeline of clinical stage oncology products and related intellectual property, as well as Gilead's Boulder, Colorado operations, including clinical research and drug development personnel, infrastructure and facilities, to OSI Pharmaceuticals, Inc. ("OSI"). The pipeline of clinical candidates includes NX211 (liposomal lurtotecan), GS7836 (a nucleoside analogue) and GS7904L (a liposomal thymidylate synthase inhibitor). As consideration, Gilead received \$130.0 million in cash and 924,984 shares of OSI common stock valued at approximately \$38.8 million as of December 21, 2001. The number of shares issued to Gilead was determined by dividing \$40.0 million by the average closing sale price of OSI common stock for the 5 days preceding December 21, 2001. OSI is also required to pay to Gilead up to an additional \$30.0 million in either cash or a combination of cash and OSI common stock if certain milestones related to the development of NX211 are achieved by OSI. Based upon the December 21, 2001 estimated carrying value of the oncology assets sold, liabilities assumed and estimated costs and expenses expected to be incurred in connection with the transaction, the Company anticipates that it will record a transaction gain of approximately \$155.4 million (net of \$2.0 million alternative minimum tax) in the fourth quarter of 2001. The anticipated gain is subject to adjustment (if any) based on the final determination of the net asset value of the assets sold and the liabilities assumed at December 21, 2001, as well as the associated transaction costs. The carrying value of the transferred assets relates primarily to certain property and equipment. OSI Pharmaceuticals assumed all of

Edgar Filing: GILEAD SCIENCES INC - Form 8-K

Gilead's oncology related clinical and preclinical obligations, as well as various lease obligations.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(b) Pro forma financial information. On December 21, 2001, Gilead completed the sale of its oncology assets, pipeline of clinical stage oncology products and related intellectual property, as well as Gilead's Boulder, Colorado operations, including clinical research and drug development personnel, infrastructure and facilities, to OSI. The pipeline of clinical candidates includes NX211 (liposomal lurtotecan), GS7836 (a nucleoside analogue) and GS7904L (a liposomal thymidylate synthase inhibitor). As consideration, Gilead received \$130.0 million in cash and 924,984 shares of OSI common stock valued at approximately \$38.8 million as of December 21, 2001. The number of shares issued to Gilead was determined by dividing \$40.0 million by the average closing sale price of OSI common stock for the 5 days preceding December 21, 2001. OSI is also required to pay to Gilead up to an additional \$30.0 million in either cash or a combination of cash and OSI common stock if certain milestones related to the development of NX211 are achieved by OSI. Based upon the December 21, 2001 estimated carrying value of the oncology assets sold, liabilities assumed and estimated costs and expenses expected to be incurred in connection with the transaction, the Company anticipates that it will record a transaction gain of approximately \$155.4 million (net of \$2.0 million alternative minimum tax) in the fourth quarter of 2001. The anticipated gain is subject to adjustment (if any) based on the final determination of the net asset value of the assets sold and the liabilities assumed at December 21, 2001, as well as the associated transaction costs. The carrying value of the transferred assets relates primarily to certain property and equipment. OSI Pharmaceuticals assumed all of Gilead's oncology related clinical and preclinical obligations, as well as various lease obligations.

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2001 is presented as if the transaction had occurred as of that date. The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2000 and the nine months ended September 30, 2001 are presented as if the transaction had occurred January 1, 2000 and January 1, 2001, respectively.

The pro forma adjustments represent, in the opinion of management, all adjustments necessary to present the Company's pro forma results of operations and financial position in accordance with

2

Article 11 of SEC Regulation S-X and are based upon available information and certain assumptions considered reasonable under the circumstances.

The oncology activities were not a reportable segment of Gilead. The pro forma statements of operations to be disposed include only the direct expenses related to oncology activities. While Gilead maintained separate accounts to capture these direct research and development and direct general and administrative costs of the oncology activities, we did not allocate corporate services, information services, selling, other marketing, or general and administrative expenses to the oncology activities. The expenses disclosed as those related to the oncology activities are not necessarily indicative of the expenses that would have been incurred had the oncology activities operated on a stand-alone basis.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with Gilead's unaudited condensed consolidated financial statements and notes thereto included in the Company's quarterly report on Form 10-Q for the period ended September 30, 2001 and the audited consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2000. The pro forma information may not necessarily be indicative of what the Company's results of operations or financial position would have been had the transaction been in effect as of and for the periods presented, nor is such information necessarily indicative of the Company's results of operations or financial position for any future period or date.

3

GILEAD SCIENCES, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)
(in thousands, except share and per share amounts)

September 30, 2001

Historical

Pro forma

Edgar Filing: GILEAD SCIENCES INC - Form 8-K

September 30, 2001

| | | Oncology- related assets and liabilities disposed | Pro forma adjustments | |
|---|------------|--|--------------------------|------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 37,346 | \$ | \$ 130,000A | \$ 167,346 |
| Marketable securities | 403,208 | | 38,850A | 442,058 |
| Accounts receivable | 59,402 | | | 59,402 |
| Inventories | 31,207 | | | 31,207 |
| Prepaid expenses and other | 13,444 | | | 13,444 |
| | | | | |
| Total current assets | 544,607 | | 168,850 | 713,457 |
| Property, plant and equipment, net | 62,925 | (7,240) | | 55,685 |
| Other noncurrent assets | 25,403 | (650) | | 24,753 |
| | | | | |
| | \$ 632,935 | \$ (7,890) | \$ 168,850 | \$ 793,895 |
| Liabilities and stockholders' equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 15,261 | \$ (970) | \$ | \$ 14,291 |
| Accrued clinical and preclinical expenses | 16,374 | (1,100) | | 15,274 |
| Accrued compensation and employee benefits | 14,904 | | 300B | 15,204 |
| Other accrued liabilities | 18,839 | | 5,355C | 24,194 |
| Deferred revenue | 3,899 | | | 3,899 |
| Long-term obligations due within one year | 2,467 | (550) | | 1,917 |
| | | | | |
| Total current liabilities | 71,744 | (2,620) | 5,655 | 74,779 |
| Long-term deferred revenue | 7,405 | | | 7,405 |
| Accrued litigation settlement expenses | 4,895 | | | 4,895 |
| Long-term obligations due after one year | 752 | (275) | | 477 |
| Convertible subordinated notes | 250,000 | | | 250,000 |
| Commitments and contingencies | | | | |
| Stockholders' equity: | | | | |
| Common stock, par value \$.001 per share; 500,000,000 shares authorized; 95,502,573 shares issued and outstanding | 96 | | | 96 |
| Additional paid-in capital | 876,913 | | 2,800B | 879,713 |
| Accumulated other comprehensive income | 6,445 | | | 6,445 |
| Deferred compensation | (1) | | | (1) |
| Accumulated deficit | (585,314) | | 155,400D | (429,914) |
| | | | | |
| Total stockholders' equity | 298,139 | | 158,200 | 456,339 |
| | | | | |
| | \$ 632,935 | \$ (2,895) | \$ 163,855 | \$ 793,895 |

See notes to pro forma condensed consolidated financial statements.

GILEAD SCIENCES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

Nine months ended September 30, 2001

| | Historical | Oncology-related activities disposed | Pro forma |
|--|--------------------|--|--------------------|
| Revenues: | | | |
| Product sales, net | \$ 131,336 | \$ | \$ 131,336 |
| Royalty revenue, net | 16,982 | | 16,982 |
| Contract revenue | 7,794 | | 7,794 |
| Contract revenue SAB 101 | 3,326 | | 3,326 |
| Total revenues | 159,438 | | 159,438 |
| Costs and expenses: | | | |
| Cost of goods sold | 30,586 | | 30,586 |
| Research and development | 140,952 | 18,580 | 122,372 |
| Selling, general and administrative | 83,665 | 4,840 | 78,825 |
| Total costs and expenses | 255,203 | 23,420 | 231,783 |
| Loss from operations | (95,765) | (23,420) | (72,345) |
| Gain on sale of unconsolidated affiliate | 8,754 | | 8,754 |
| Interest income | 20,195 | | 20,195 |
| Interest expense | (10,482) | | (10,482) |
| Loss before provision for income taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting principle | (77,298) | (23,420) | (53,878) |
| Provision for income taxes | 967 | | 967 |
| Equity in loss of unconsolidated affiliate | 2,130 | | 2,130 |
| Loss before cumulative effect of change in accounting principle | \$ (80,395) | \$ (23,420) | \$ (56,975) |
| Basic and diluted net loss per common share: | | | |
| Loss before cumulative effect of change in accounting principle basic and diluted | \$ (0.85) | | \$ (0.60) |
| Shares used in per share calculation basic and diluted | 94,822 | | 94,822 |

See notes to pro forma condensed consolidated financial statements.

GILEAD SCIENCES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

Edgar Filing: GILEAD SCIENCES INC - Form 8-K

(in thousands, except per share amounts)

| | Year ended December 31, 2000 | | |
|--|------------------------------|--|------------|
| | Historical | Oncology-related activities disposed | Pro forma |
| Revenues: | | | |
| Product sales, net | \$ 149,709 | \$ | \$ 149,709 |
| Royalty revenue, net | 24,591 | | 24,591 |
| Contract revenue | 18,315 | | 18,315 |
| Contract revenue SAB 101 | 2,940 | | 2,940 |
| | 195,555 | | 195,555 |
| Costs and expenses: | | | |
| Cost of goods sold | 33,512 | | 33,512 |
| Research and development | 131,568 | 18,360 | 113,208 |
| Selling, general and administrative | 82,793 | 5,010 | 77,783 |
| | 247,873 | 23,370 | 224,503 |
| Loss from operations | (52,318) | (23,370) | (28,948) |
| Interest income | 17,634 | | 17,634 |
| Interest expense | (4,365) | | (4,365) |
| Loss before provision for income taxes, equity in loss of unconsolidated affiliate and cumulative effect of change in accounting principle | (39,049) | (23,370) | (15,679) |
| Provision for income taxes | 1,199 | | 1,199 |
| Equity in loss of unconsolidated affiliate | 2,858 | | 2,858 |
| | (43,106) | (23,370) | (19,736) |
| Basic and diluted net loss per common share: | | | |
| Loss before cumulative effect of change in accounting principle basic and diluted | \$ (0.47) | | \$ (0.22) |
| Shares used in per share calculation basic and diluted | 91,050 | | 91,050 |

See notes to pro forma condensed consolidated financial statements.

Notes to Pro Forma Condensed Consolidated Financial Statements

Basis of Presentation

The unaudited pro forma condensed consolidated financial statements present financial information for the Company giving effect to the sale of the Company's oncology assets, pipeline of clinical stage oncology products and related intellectual property, as well as Gilead's Boulder, Colorado operations, including clinical research and drug development personnel, infrastructure and facilities, to OSI, which was effective as of December 21, 2001. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2001 is presented as if the transaction

QuickLinks

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

GILEAD SCIENCES, INC. PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (unaudited) (in thousands, except share and per share amounts)

GILEAD SCIENCES, INC. PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) (in thousands, except per share amounts)

GILEAD SCIENCES, INC. PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) (in thousands, except per share amounts)

Notes to Pro Forma Condensed Consolidated Financial Statements

SIGNATURES